



GETTING ONLINE CAR SALES IN GEAR

Why connecting online and offline matters in
optimizing the customer's journey

THERE ARE PLENTY of arguments against the online sale of cars. They are far more expensive than almost all other consumer goods, and the attendant decision-making process is lengthier. Choosing a car is often an emotional decision, so people like visiting a showroom and speaking with a sales rep. Moreover, the consumers most comfortable with online shopping are younger, while the average car buyer is relatively old – 53 in Germany, for example. In that country, online sales of cars represent about 15 percent of the total, according to the *DAT-Report 2018*, putting autos far behind most other consumer products apart from food. And the majority of online auto sales come from brokers and price comparison engines, not from automakers’ own websites.

However, there are plenty of reasons why online sales could catch on. Over time, younger, digital-savvy consumers will gradually make up a larger proportion of car buyers. As the application of IT to sales becomes more sophisticated, customers are likely to appreciate the experience more. And, even if car sales in the future do not take place completely online, digital technology can still enhance the process in numerous ways: by providing customers with more information, backing up sales representatives, and increasing transparency. Thus, automakers need to start developing their expertise and online models now to be ready for when the market finally takes off. (See Exhibit 1.)

EXHIBIT 1: OPTIMIZING THE DIGITAL SALES FUNNEL

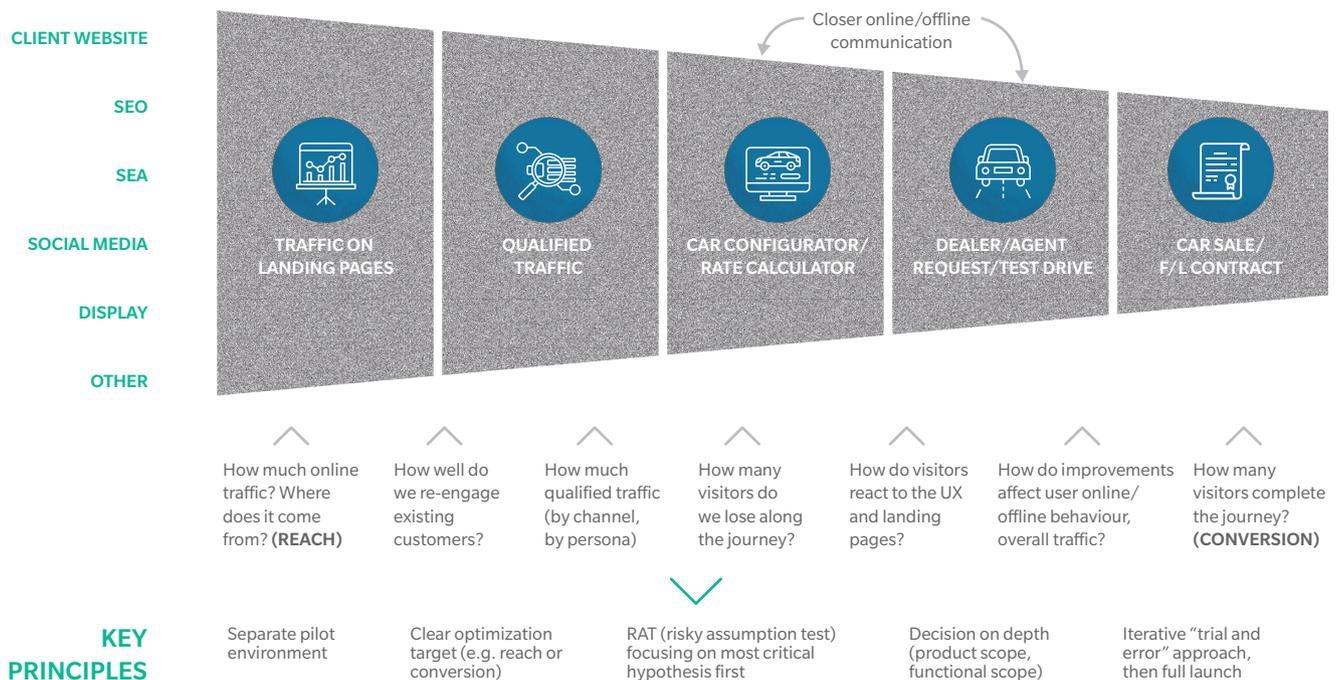
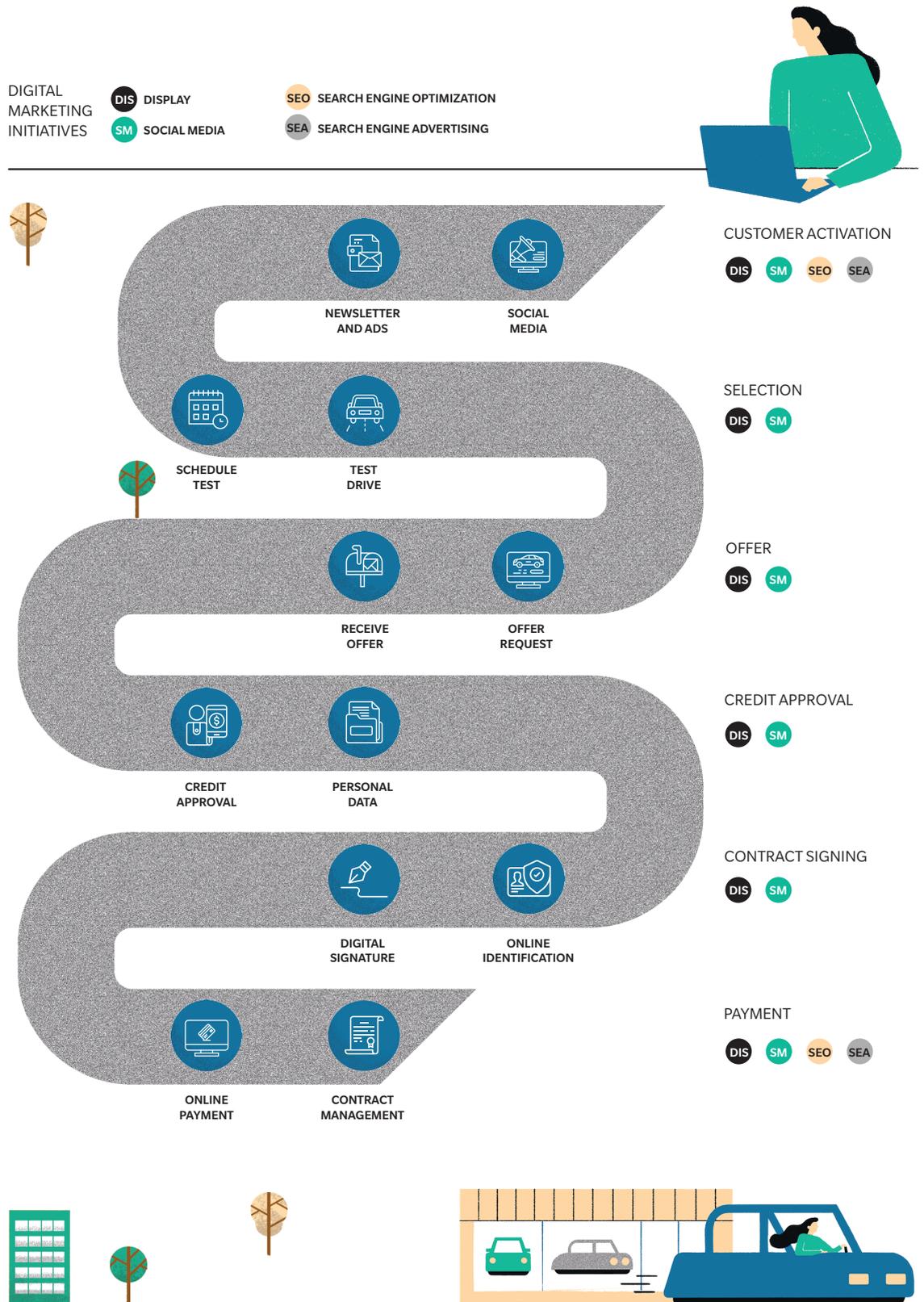


EXHIBIT 2: TAILORING DIGITAL MARKETING TO ENHANCE THE CUSTOMER JOURNEY



A DISCONNECT IN ONLINE PROCESS

Already, car buyers like researching online. For 87 percent, the internet is the most important research source, while 40 percent discover a new model through an online search. The website of one automaker recorded 1.2 million visits by potential customers over the course of a year, of whom a fifth completed a configurator and a calculator for financing or leasing rates. However, less than 1 percent of these then used the online form to request a meeting with a dealer where they could have a test drive and proceed to a purchase, and possibly a financing or leasing contract. This represents a significant disconnect in the online process.

Such poor results might lead automakers to lose interest in online. But that would be a lost opportunity. As an example of the potential effectiveness of online channels, we identified a leasing firm that can land an online sale by spending just 500 euros on marketing at digital affiliates. For an automaker, the lifetime value of a customer including all car sales and financing activities is 10 times that amount.

Currently, few automakers are going to close on either an online sale or an online financing or leasing contract for just 500 euros of digital marketing spend. That is largely because they rely on costly search engine advertising. A better solution would be to analyze a customer's journey and make online interactions more attractive. (See Exhibit 2.)

One leading manufacturer of affordable cars has developed a system in the UK that lets people buy a car online at any time of day in as little as five minutes without speaking to anyone. However, if a customer does want to consult someone and go for a test drive, he or she can do so at a physical store. There, the approach differs from traditional dealerships: Prices are fixed for all customers regardless of channel; both the online and the physical store experience are appealing; and there are plenty of information and interaction options for the customer. In short, the system puts the buyer in control.

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